

6. LAND TRANSPORT MANAGEMENT AMENDMENT BILL

General Managers responsible:	General Manager Regulation & Democracy Services Ph 941-8462 and General Manager Strategy and Planning Ph 941-8177
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PURPOSE OF REPORT

1. The purpose of this report is to inform the Council about relevant aspects of the Land Transport Management Amendment Bill (“the Bill”), and to have the Council approve a submission on the Bill.

EXECUTIVE SUMMARY

2. Public submissions have been invited on the Bill by the Transport and Industrial Relations Select Committee, and the closing date for submissions is 20 December 2007. The Bill and its explanatory note can be viewed at:

http://www.parliament.nz/en-NZ/PB/Legislation/Bills/3/f/8/00DBHOH_BILL8328_1-Land-Transport-Management-Amendment-Bill.htm

3. The Bill was introduced to implement the recommendations from the “Next Steps Review of the Land Transport Sector”, a review conducted by the State Services Commission on the Government’s Land Transport Sector and released in May 2007. The purpose of the Bill is to enhance New Zealand’s land transport planning and funding system established under the Land Transport Management Act 2003, through:
 - reserving all fuel excise duty for land transport purposes and changing the way fuel excise is set to provide more certainty for future investment;
 - augmenting transport revenues by regional fuel taxes;
 - providing for a government policy statement to set out the government’s short-medium term priorities for land transport with associated planned investment and funding priorities in detail for the next 3–6 years and in outline to year 10, to provide more strategic guidance;
 - changing to a three-year planning cycle rather than an annual one for the National Land Transport Programme and the proposed Regional Land Transport Programmes [which better aligns with local government election and planning cycles];
 - modifying the composition and responsibilities of Regional Land Transport Committees;
 - introducing Regional Land Transport Programmes to rationalise land transport planning documents, reduce consultation, and encourage integrated land transport planning;
 - increasing the time horizon of regional land transport strategies and any extant national land transport strategy to 30 years to recognise the long-term nature of land transport investment, with a maximum six year renewal period;
 - merging Land Transport New Zealand, the office of the Director of Land Transport, and Transit New Zealand into a single statutory Crown Entity to achieve more integrated decision making and better accountability [which it is proposed will be called the New Zealand Transport Agency].
4. The most relevant proposed amendments from the Council’s point of view are those relating to the composition of Regional Land Transport Committees (RLTC), the introduction of Regional Land Transport Programmes, the enabling of new regional fuel taxes and the introduction of longer planning cycles for land transport investment.

5. The Council will be able to appoint one member to the RLTC, whose functions will principally include producing regional land transport programmes and strategies. The proposed composition of the RLTC will provide a reasonable balance between input and influence of the various bodies represented on the RLTC and committee size and responsibilities, but it will reduce the level of representation the Council has on the RLTC compared to the current arrangements.
6. The Bill proposes to enable a new regional fuel tax, which would be promoted and set by the RLTC, but administered and distributed through the new crown transport entity. It is proposed that this new tax be available to regions for priority projects that would not otherwise get adequate funding within the desired timeframe. The tax can only be used for **new** transport infrastructure projects, ie not asset renewal or maintenance. The Bill proposes that the maximum tax will be ten cents per litre, with a limit of five cents per litre available for roading projects. The enablement of such a regional fuel tax will provide additional regional flexibility in relation to funding of land transport projects. However the option of its application only at a regional boundary level appears too inflexible to the potential needs of such diverse regions as Canterbury where more targeted areas for such additional taxes would be more relevant.
7. A new key proposal of the Bill requires the production of Regional Land Transport Programmes. This proposal is, by and large, a significant positive step forward for land transport development in New Zealand, and allows better regional planning and integration of programmes. While it is important to support this initiative, details still need careful consideration, such as what levels of accountability and autonomy of authorities are proposed, and it is worth noting that this proposal will do nothing to resolve funding shortages in and of itself.
8. There is going to be one single Crown Entity for Council to deal with, instead of two, in relation to such matters as the National Land Transport Programme and State highway development and operations but it is not clear how the merger will affect those relationships for Council in practice. As few details exist of the details of this merger and how it will affect operational matters, it is proposed that Council's submission neither opposes nor supports this and other more minor amendments.
9. The Council, as a Greater Christchurch Urban Development Strategy (UDS) partner, needs to contribute to and if possible, align its submission with the submission to be made by the UDS. The draft Council submission attached is not in conflict with the proposed UDS submission.

FINANCIAL IMPLICATIONS

10. No financial implications in making a submission on a Bill (unless someone is required by Council to appear before the Select Committee to speak on behalf of the Council to the Bill, and the hearing is held out of Christchurch).

Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?

11. NA

LEGAL CONSIDERATIONS

12. There are no specific legal considerations for the Council in relation to the Bill and the draft submission

Have you considered the legal implications of the issue under consideration?

13. Yes

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

14. Yes, and the proposals in the Bill may assist programme timing issues. The new LTCCP for the Christchurch City Council is proposing a longer timeframe which would accord well with the proposals, as would likely options for three years as opposed to the current one year planning cycles.

Do the recommendations of this report support a level of service or project in the 2006-16 LTCCP?

15. No

ALIGNMENT WITH STRATEGIES

16. Yes – alignment with the UDS which looks to a similar timeframe (35 years) and acknowledges importance of regional co-operation and joint planning of land transport issues. The current draft RLTS which is out for consultation also has been based upon a 35-year horizon and is integrated with the UDS, so is already aligned with the proposed requirements.

Do the recommendations align with the Council's strategies?

17. As above

CONSULTATION FULFILMENT

18. Have consulted internally with the relevant units, and with the UDS committee, via James Caygill, who has been delegated the task of drafting the UDS submission on the Bill.

STAFF RECOMMENDATION

It is recommended that the Council:

- (a) Approve the draft submission.
- (b) Decide whether the Council is to appear in support of its submission and if so, nominate who is to appear on behalf of the Council.

BACKGROUND (THE ISSUES)

19. The Bill was introduced to implement the recommendations from the "Next Steps Review of the Land Transport Sector", a review conducted by the State Services Commission and released in May. The main recommendations of the review were to:
- introduce full hypothecation of land transport taxes (fuel excise duty, road user charges and vehicle licensing fees) for transport purposes and streamline the multiplicity of funding agreements
 - fill the strategic gap between the broad strategic directions for transport outlined in the New Zealand Transport Strategy and the delivery of programmes of works and services
 - enable a more consistent approach to integrated transport planning at a regional level and greater input to land transport programming by local government
 - create a new Crown entity by merging Land Transport New Zealand and Transit New Zealand, and strengthen the accountabilities of the new entity to reinforce the importance of "value for money".

20. The legislation is intended to implement the above recommendations in that it will:

- *introduce a Government Policy Statement setting out government's high level priorities for land transport and over a longer timeframe than was previously the case*
- *introduce three-yearly Regional Land Transport Programmes that will identify all land transport activities in a region*
- *change the constitution of Regional Land Transport Committees*
- *make the National Land Transport Programme three-yearly (as opposed to yearly at present)*
- *introduce an accountability framework for the new transport Crown entity which will be formed by combining the functions of Land Transport New Zealand and Transit New Zealand*
- *introduce full hypothecation (dedication) of fuel excise duties to the National Land Transport Fund (in the short term at least, this will result in an increase in revenues entering the NLTF)*
- *introduce a mechanism for regional fuel tax (not part of Next Steps but included in this legislation).*

Amendments to the Land Transport Management Act 2003 will put in place a new system for the funding and planning of land transport, hypothecation, and establish the framework for the new Crown entity. Consequential amendments to the Customs and Excise Act 1996 and the Land Transport Act 1998 are also required."

(see the Minister's media release at <http://www.beehive.govt.nz/ViewDocument.aspx?DocumentID=31036>)

21. The changes proposed for regional planning include better programming integration through the development of three-yearly Regional Land Transport Programmes (including State highway projects, local roads, public transport, walking and cycling projects). Regional Land Transport Programmes will need to be consistent with the Government Policy Statement and the objectives of relevant Regional Land Transport Strategies. Regional Land Transport Strategies will only need to be reviewed at least every six years, rather than three as at present. Activities must be included in a Regional Land Transport Programme to be eligible for inclusion in the National Land Transport Programme.
22. Regional Land Transport Programmes will be compiled by reconstituted Regional Land Transport Committees (RLTC) every three years, on behalf of the Regional Councils (see new section 13). The RLTCs will need to prioritise a range of land transport activities for their regions, including State highways (with some exceptions). Consultation on the Programmes is done by using the special consultative procedure in the LGA02, but can be concurrent with a regional LTCCP or annual plan consultation. The Programmes will ultimately be approved by Regional Councils, but the Bill does not propose that Regional Councils will have the power to refuse them, only that they can be sent back to the RLTC.

23. RLTC membership will be changed from the current arrangement. The Bill proposes that there be two representatives from regional councils, one from each territorial authority, one from the new NZTA and five others, to represent each of the five New Zealand Transport Strategy Objectives (assisting economic development, assisting safety and personal security, improving access and mobility, protecting and promoting public health, and ensuring environmental sustainability) and one person to represent cultural interests. Only regional council, territorial council and Agency members may vote on the RLTP's with the other members only participating in discussions on Regional Land Transport Programmes. All members may vote on Regional Land Transport Strategies and Regional Fuel Tax Scheme proposals.
24. Currently, the Canterbury Regional Land Transport Committee is made up of 28 voting representatives drawn from local government, government transport agencies, the health board, and various interest groups and individuals, each with one vote. The City Council had three members in the last term of Council, with the regional council having five and each other territorial authority having one. This membership whilst broadly required in the Land Transport Act is open to general interpretation by each regional council. Under the much more prescriptive requirements in the Bill, the Canterbury RLTC would have two regional council members, ten territorial authority members (one from each), an Agency member and six from the prescribed Objective areas, totalling 19 members, with 13 only voting on the RLTP. It should be noted by the Council that under the new composition the Council will have less representation in relation to the other TAs, than it has at present.
25. Whilst some discussion is possible on alternative make-up options, no meaningful and widely-acceptable alternatives exist, given that the recipe must be applicable across all regions and be workable in each case. The numbers have been carefully crafted by the Bill's authors to balance the committee's make-up for the production of the RLTS's. Therefore, the draft submission attached proposes supporting the new RLTC composition.
26. The proposed NZTA will have all the functions that Land Transport New Zealand and Transit New Zealand currently have, except for the power to declare and revoke State highways (to become the responsibility of the Chief Executive of the Ministry of Transport). An accountability framework is to be put in place, to make sure the NZTA does not favour its activities, namely State highways, ahead of other transport activities. The framework is also meant to ensure that all revenue is used solely for the purposes it is collected, and that the entity provides value for money.
27. The proposed regional fuel tax will be available only for priority new infrastructure projects. It has been reported that it is important that motorists who pay the extra tax are able to see a clear benefit from doing so, in the form of additional infrastructure that the region might not otherwise get within a desirable time frame - the tax cannot be used to meet the cost of existing maintenance, renewals or other operational expenditure.
28. It will be up to each region as to whether it implements the tax, and at what level - the maximum being 10c per litre (with a maximum of 5c able to be taken for roading projects). Examples of the type of projects such a tax could be used for would be, in Auckland, the funding of the electrification of the Auckland rail network, or, in Wellington, the tax could be used to contribute to the cost of the Transmission Gully Motorway, if that is considered to be a regional priority. It is important to note that the introduction of legislation for this new tax will not mean any changes to the existing Regionally Distributed ("R") funding (which terminates in 2015).
29. Any new regional tax is introduced by the RLTCs preparing and consulting on a proposed regional fuel tax scheme (using the special consultative procedure in the LGA02). Once the regional council is satisfied with the proposed scheme, it must be lodged with the Minister of Transport and the Minister of Finance. The Ministers may then decide to recommend to the Governor-General the making of an Order in Council to approve the scheme. Once a regional fuel tax has been introduced in a region, the NZTA will administer the scheme - wholesale distributors will make payments to the NZTA, who will also be responsible for refunding commercial non-road fuel users, and for distributing the net revenue to the agencies responsible for projects under the relevant scheme.